

## **Proposed Seattle Arena Economic Impact Analysis**

### **Background**

As required by the Memorandum of Understanding (MOU) signed by the City of Seattle, King County and ArenaCo, the City and County retained a consultant (Pro Forma Advisors LLC) to evaluate the economic impact and fiscal benefits of an 18,000-seat arena in the Stadium District area of Seattle, Washington (Scenario A). The review also included three alternative scenarios, a 20,000-seat Stadium District option (Scenario B), a new 18,000-seat arena replacing KeyArena (Scenario C) and an 18,000-seat arena at the current location of Memorial Stadium (Scenario D). The Pro Forma Advisors team also included the Tioga Group, which studied the impacts of the Arena on the Port of Seattle and on industrial businesses in the SODO neighborhood.

Pro Forma evaluated:

1. The arena and team operating projections that will be used to pay the City and County annual rent and additional rent, if necessary
2. Fiscal impacts, or tax benefits from construction and on-going operation of the arena, that accrue to the City of Seattle and King County. The majority of this fiscal benefit will be used to pay the public financing of the arena, but some fiscal benefits will accrue to the City and County's general funds.
3. Economic impacts generated by the proposed arena's onsite and offsite direct impacts (i.e. arena jobs, output, and earnings), which spur a series of subsequent indirect impacts (new output, earnings and employment generated because of purchases of industries that supply goods and services to the arena and arena visitors) and induced activities (new output, earnings and employment generated as a result of household purchases by employees).

### **Summary of Economic Effects**

#### **Economic Impacts**

##### **Economic Benefit**

The Economic Impact Analysis concludes that the proposed Seattle Arena will have a total net positive economic benefit of \$230 to \$286 million to the King County economy (inclusive of the City of Seattle impacts) and \$188 to \$236 million to the City of Seattle economy *on an annual basis*. The gross regional annual economic impact generated is approximately 2,045 jobs and \$103 million in earnings *annually* in Seattle. The totals for King County including Seattle would be 2,473 jobs and \$130 million *annually* in earnings.

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These figures include both benefits generated as a result of direct onsite arena operations and impacts generated offsite by arena visitors (hotels, restaurants, etc), and indirect and induced impacts (the respending of dollars)

#### Impact to Port and Industrial Businesses

The analysis includes an estimate of Port and industrial business impacts, and concludes that there would be a loss of \$0.21-0.23 million (\$210,000-\$230,000) *per year* within Seattle, and up to \$0.23 million (\$230,000) per year within King County inclusive of Seattle. This loss is offset against the positive economic benefit numbers of the previous paragraph. This analysis was based on the number of trucks delayed and the projected annual time delay applied to the number of trucks, and used expected Port truck trips when the total Port throughput reaches 3.5 million TEU (Twenty-foot Equivalent Units) which is the Port's 2030 target. Current TEU levels are approximately one-half of the 2030 target.

The dollar impact of Port truck delay is very small in relation to total Port transportation activity. The Port of Seattle, however, is facing intense competition from other Pacific Northwest (American and Canadian) ports for both cargo and carrier vessel calls. The scope of that competition is expected to expand with the completion of the new Panama Canal locks in 2015. To the extent that higher trucking costs and reduced trucking reliability adversely affect customer and carrier perceptions, the Port's competitive position could be harmed.

#### One-Time Construction Benefit

Construction of an 18,000-seat arena on any of the sites would generate *one-time* economic and fiscal benefits to the region. The economic activity from direct spending and re-spending is estimated at \$533 million within King County economy (inclusive of the City of Seattle impacts) and \$480 million within the City of Seattle economy. Arena construction would support approximately 3,200 jobs and \$266 million in earnings within Seattle, with an additional 370 jobs and \$23 million in King County (total of 3,570 jobs and \$289 million in King County including Seattle).

#### Fiscal Benefits (not included in economic impacts)

Approximately \$7.97 million in taxes will be available annually to support the City of Seattle and King County's debt service on the arena. With an average estimated annual debt of \$14 to \$15 million, and an annual rent payment of \$1 million by the Developer, it is expected that the Developer will need to provide approximately \$5 to \$6 million in additional rent to the City and County, as required by the MOU. Operating projections (estimated at \$26.8 million annually after expenses) appear sufficient to cover the additional rent debt service.

In addition, it is estimated that \$33 million in one-time construction taxes will flow to other taxing districts other than the City and King County. These taxes will benefit the other taxing districts but will not be used to pay debt service on the Arena. In addition, \$1.8 million in additional taxes are expected to flow to these taxing districts annually.